



April 11, 2007

TO: Transportation Authority of Marin Executive Committee

FROM: Dianne Steinhauser, Executive Director

RE: Preliminary Budget Discussion -Revenue Forecast, Agenda Item 8

Dear Commissioners:

Executive Summary

Article VI, Section 106.1 of the TAM Administrative Code requires that the Board shall adopt the annual budget for upcoming fiscal year no later than its June meeting. The Administrative Code further requires that a public hearing be held on the adoption of the budget, and that the proposed draft annual budget shall be available for public review at least 30 days prior to adoption. Staff would like to use the April Executive Committee Meeting to start the discussions on the development of TAM's FY2007-08 Annual Budget, particularly related to the sales tax revenue estimate for next year. Agencies in receipt of Measure A Transportation Sales Tax need to have revenue estimates from TAM so as to finalize their own budget picture. Staff will present the most up to date Measure A revenue estimate, and how excess revenue, if there is any, should be distributed. A detailed timeline for the FY2007-08 Annual Budget is also provided for your review.

Recommendation: Staff seeks authorization to proceed with the recommended revenue estimate in establishing the budget, updating the Strategic Plan, and communicating available revenues to sponsors.

Timeline:

Article VI, Section 106.1 of the TAM Administrative Code requires that the Board shall adopt the annual budget for upcoming fiscal year no later than its June meeting. The Administrative Code further requires that a public hearing be held on the adoption of the budget, and that the proposed draft annual budget shall be available for public review at least 30 days prior to adoption. Based on those requirements, staff proposes the following timeline for the FY2007-08 budget development process:

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| March – April | Prepare projected FY2007-08 TAM expenditures - administrative, project and program needs; prepare TAM revenue estimates for various funding sources. |
| April 11 | Present the projected FY2007-08 Measure A revenue estimate to the Exec Committee for feedback and options for how excess revenue should be distributed |
| May 10, 24 | Present draft FY2007-08 Annual Budget for the Exec Committee and Board to review |

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| May 10 | Post draft FY2007-08 Annual Budget for public review |
| May X | Present draft FY2007-08 Annual Budget to City/Town managers and County Administrator, along with the city/town/county contribution calculation |
| May 20 | Present draft FY2007-08 Annual Budget to TAM's Citizens' Oversight Committee |
| June 13 | Present draft FY2007-08 Annual Budget to Executive Committee if there are changes since May |
| June 28 | Conduct public hearing at the June Board Meeting with Board adopting the FY2007-08 Annual Budget |
| June 28-29 | Distribute the final FY2007-08 Annual Budget |

Measure A Revenue Estimate:

As presented in Agenda Item 8, the Third-quarter Financial Report, staff revised the \$21.1 million Measure A revenue estimate provided with the Mid-Year Financial Report down to \$20.8 million based on the March disbursement received. Compared to the March 2006 disbursement, March 2007 disbursement was short by \$627,826, or 25.8%. The March revenue disbursement from the Board of Equalization contains cleanup for the second quarter of FY2006-07, which covers sales tax transactions from October to December of 2006. Total disbursements for January to March of 2007, which covers actual Measure A revenues for October to December of 2006, are \$141,926, or 2.6% lower than the same period of 2006. It's disappointing to know that holiday sales for 2007 are lower than 2006. With all the other disencouraging economic factors, such as the shaky housing market and ongoing inflation concern, staff assumes a 15% revenue reduction for the remaining months of FY2006-07, compared to the same period of FY2005-06.

Based on this revenue amount reflecting a 4.2% growth over actual revenue in FY 2005-06, and the fact that economic declines remain on the horizon, staff proposes to maintain this final estimated revenue for FY 2006-07 as the projected revenue amount for FY 2007-08. This means TAM will project \$20.8 Million as being available in FY 2007-08. Staff is projecting no growth beyond that amount in FY 2007-08, given the volatility of the last few quarters. Staff do not believe revenue will fall next year, but rather that no growth will occur.

For the purpose of updating TAM's Strategic Plan, staff proposes to hold the Measure revenue flat at \$20.8 for the next three years, until FY2009-10, and grow the revenue at 2% annually thereafter. The 2% reflects recent trends in the Consumer Price Index for the Bay Area. The conservative approach will provide TAM with more cushion if the economy ends up going in the wrong direction again, as happened in the period of 2001 through 2004.

Even with the reduced FY2006-07 revenue estimate at \$20.8 million, TAM could still expect \$1 million excess revenue for the current year and the next three-year period, since the Strategic Plan was developed based on a flat \$19.8 million for the life of the sales tax. Excess revenue from FY2006-07 will be made available during the FY2007-08 allocation process. The Strategic Plan will be updated so the expected revenue increases will be made available for the much needed transportation projects/programs in Marin.

To provide a further backstop for this approach, TAM staff advise the Board to examine each actual allocation carefully to assure that the 4.2% growth does not create a non-sustainable commitment of

sales tax. TAM staff will provide this analysis with each allocation. The Measure A reserve is meant to weather sudden decreases in sales tax; however, this cannot be relied upon over the long term.

Recommendation:

Staff seeks authorization to proceed with the recommended revenue estimate in establishing the budget, updating the Strategic Plan, and communicating available revenues to sponsors.